

OFFICE OF LEGISLATIVE RESEARCH
PUBLIC ACT SUMMARY



PA 13-106—HB 6340

Banks Committee

AN ACT CONCERNING THE CONNECTICUT UNIFORM SECURITIES ACT

SUMMARY: This act:

1. alters which securities are exempt from registration and filing certain sales material for prospective investors with the banking commissioner under the Uniform Securities Act,
2. specifies the notice and fee closed-end companies must provide the commissioner when offering securities in the state, and
3. makes minor and technical changes.

EFFECTIVE DATE: October 1, 2013

SECURITIES EXEMPT FROM REGISTRATION AND FILING SALES MATERIAL

The law, with exceptions, requires securities to be registered before they may be sold in Connecticut. It also requires, with exceptions, certain sales materials for prospective investors to be filed with the commissioner.

Prior law exempted securities appearing on the list of over-the-counter and foreign securities approved for margin by the Federal Reserve System's Board of Governors that are not otherwise covered securities under federal law. The board no longer publishes this list, and the act instead exempts a security if it is:

1. an over-the-counter security or security issued by a foreign issuer regardless of whether it is a covered security and
2. either (a) a margin security, as defined by the board's regulations or rules, or (b) an American depositary receipt (ADR), as defined in the regulations or rules, that represents such a margin security (see BACKGROUND).

The act also exempts warrants or rights to purchase or subscribe to any of the securities listed above, thus adding an exemption for a foreign security that is a covered security.

NOTICE FROM CLOSED-END COMPANIES

The act requires closed-end companies (see BACKGROUND) to file a notice with the banking commissioner before they offer a security in the state. It requires them to pay a nonrefundable fee of .1% of the maximum aggregate offering price of the securities to be offered in the state, but the fee must be between \$300 and \$1,500. This conforms to agency practice.

The act specifies that the notice is valid for one year from its receipt by the commissioner or the date the federal Securities and Exchange Commission declares the security effective, whichever is later. The act requires the company

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to file any information the commissioner requires and again pay the required fee if the securities will continue to be offered or distributed after the one-year period.

BACKGROUND

ADR

An ADR is a security representing the security of a non-U.S. company that trades in the U.S. financial markets. The stocks of many foreign companies that trade in the U.S. markets are traded through ADRs. U.S. depositary banks issue these stocks.

Closed-End Company

A closed-end company is a type of investment management company that sells a limited number of shares to investors on an exchange by way of an initial public offering. For investors to sell the shares, there must be buyers willing to buy them at a price determined by the market. The most common type of closed-end company is a closed-end mutual fund.

Margin Security

Generally, a margin security is a security that an investor buys or sells using an account where the brokerage lends the account holder money to buy the security.

Under Federal Reserve Regulation T, a margin security is a:

1. security registered or having unlisted trading privileges on a national securities exchange,
2. security listed on the Nasdaq Stock Market,
3. non-equity security,
4. security issued by an open-end investment company or unit investment trust registered under federal law (15 USC § 80a-8),
5. foreign margin stock, or
6. debt security convertible into a margin security (12 CFR § 220.2).

OLR Tracking: CR:KLM:VR:RO